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CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

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SUBJECT Soviet A.G., Nitrogen Works at Piesteritz

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1. The Piesteritz Nitrogen Works (Stickstoffwerk Piesteritz) became a Soviet A.G. (SAG) immediately after the end of the war. Because of the great importance of the firm, [redacted] unlikely that the Piesteritz enterprise will be returned to the Soviet Zone government. The reconstruction of the largely dismantled plant was begun in 1946 under the leadership of Prof. Dr. Frank, present Director of the Technische Universität in the Soviet Sector of Berlin. In 1947, Hans Wagner assumed the German management of the plant. The Russian director-general and the chief engineer work closely with the MVD offices in Wittenberg. The other Russian chemists and engineers employed at the plant were transferred to other enterprises (i.e. Wolfen, Leuna, Buna, etc.) or sent back to Russia in the middle of 1949, when the dismantling had been completed.

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2. Production: The enterprise lost about 70 percent of its capacity through dismantling. The very important installations for the production of phosphorous fertilizers ("Nitrophoska") were entirely dismantled. In 1946, when the reconstruction of the enterprise began, the following goods were produced:

a. Calcium cyanamide, the principal product, which by the middle of 1949 amounted to 300 tons a month.* [redacted] a significant increase in this output is not possible since the furnaces are of an old type, and for technical reasons additional furnaces cannot be installed. The calcium cyanamide production does not yield a profit.

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b. Acetylene soot for the entire technical rubber industry. Acetylene is extracted from calcium carbide.

c. Liquid and gaseous oxygen.

d. Various chemical products, obtained from the over-all production process or from the processing of chemical by-products.

e. Calcium carbide (commercial carbide).

f. Cosmetics and pharmaceutical products.

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3. Since 1947 the following new products and production methods have been initiated at Piesteritz:

a. Dicyandiamide, obtained from calcium cyanamide, serves as raw material (Vorprodukt) for the so-called "Didi-Pressmasse", which is used for such consumer goods as lamp sockets, telephones, and radio tube bases, cabinets, and sockets. Dicyandiamide is also used to manufacture glue (Didi wood glue for the furniture and construction industries, and Didi office glue).

b. Silicon carbide is utilized in the production of carborundum bricks, "Silithheizstäbe", and heat-resistant brick for furnaces. Obtained by the conversion (Umsetzen) of valuable quartz pyrites and coal in an electric resistance furnace at approximately 2000 degrees Centigrade, silicon carbide has a very great degree of hardness. Piesteritz has the only silicon carbide installations currently in production in Germany, for the plants in existence in southern Germany until 1945 were completely bombed out. The Piesteritz installations, to be completed shortly, will make possible, according to present estimates, a monthly production of 120 tons of silicon carbide.

c. "Pirthera"** , an insulating material used for refrigerator railroad cars and truck-transports, is a product derived from artificial resin, which is condensed by means of formaldehyde and subsequently hardened. The only other German firm which manufactures insulating material is in Leverkusen in western Germany, but the Piesteritz plant not only will make the Soviet Zone independant of western Germany, but also will produce enough in excess of the Soviet Zone's monthly requirements of 1,000 tons to make possible the exporting of considerable quantities of insulating material.

d. The new pharmaceutical preparations manufactured by Piesteritz will provide strong competition for the Leverkusen and Bayer preparations in the coming year. Particularly important are the following products:

(1) "Acetophen", anti-pyretic (antipyretisches) and anti-neuralgic (antineuralgisches**) medicine, which is painkilling.

(2) "Pir...phon"** , a pulmonary powder, experiments with which indicate it will shortly play an important role in surgery.

e. "Nitrophoska" is to be produced again in an installation whose construction was planned in 1949. Since the Soviet Zone has at its disposal only slight quantities of sulphuric acid for the textile and other industries, a new way was sought in the fertilizer industry to obtain without sulphuric acid a disintegration (Aufschluss) which would allow an efficient fertilizer of this kind to be extracted. Under the new process, "Nitrophoska" is obtained by the steaming of raw phosphates in an aqueous solution with nitric acid. This process also produces "Trinatriumphosphat"** .

f. New installations for the manufacture of nitric acid are also planned. The V2a sheets necessary for this installation constitute the only bottleneck. The efforts of Leuna to acquire this new installation for itself has delayed approval of the Piesteritz project by Karlshorst and Weissensee despite the exertions of the DWK to win this approval. To install the plant at Piesteritz would cost 16 million DM east, but at Leuna it would cost approximately 24 to 26 million DM east. Also at Piesteritz, the installation could be erected sufficiently rapidly so that by 1950 production would reach 20,000 to 30,000 tons a year. The projected capacity of the installation is 60,000 tons a year.

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4. Finances: The annual business turnover, which in 1946 reached 73 million marks, has been increased by a raising of production through the repair and expansion of existing installations. In 1946, the annual turnover was 44 million marks, and by 1947 it should reach 66 (60?) million marks. The 1948 net profit of 22 million marks was credited exclusively to the account of Soviet agencies. The 1949 financial plan provides for an investment of only 4 million marks in such installations.

5. Personnel: The enterprise has approximately 4,000 employees. The 400 female employees work only in the cosmetic, pharmaceutical, and administrative divisions. The average age of the regular workers is between 50 and 55, and 40 percent of them have been with the firm for over 20 years. Because of the desire to increase production, considerably better working conditions have been established here than in other publicly owned enterprises, and the so-called premium system*** is in effect.

6. There are three political forces among the personnel:

a. The SED shop group, which exercises its influence through the leaders of the shop group and the factory trade union. There is also a CDU shop group, which has to struggle for its existence. However, even the SED shop group, which has 800 members, has little control over the management of the enterprise, for the Soviet agencies determine the made, type, and amount of production and even the amount of goods to be put at the disposal of the plant by the DWK. The DWK's planning powers do not extend to the SAG's.

b. The general run of employees, a completely separate group from the other two.

c. The intelligentsia, the chemists and technicians, who all hold important positions. (Only few workers have risen to managerial positions in the firm.) All of this intelligentsia formerly worked for the combine (I.G. Konzern), and most of them worked in the central office in Berlin before 1945. [redacted] This group has contacts with Leverkusen and Höchst.

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[redacted] Comment: This does not check with figures given in [redacted] 25X1

25X1 [redacted] Comment: This word is scarcely legible in the original report and could have been misread.

[redacted] Comment: The premium system is one under which individual workers are paid extra wages for production in excess of the established individual goals.

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